



COLORADO'S MINIMUM WAGE

By Louis Pino

Federal law requires employers to pay their employees a minimum hourly wage. States are allowed to set different pay standards than the federal minimum wage requirement; however, if the state and federal law differ, such as in Colorado, the higher wage prevails. This *issue brief* provides an overview and history of federal and Colorado minimum wage laws and provides a summary of how other states compare to the federal standard.

Federal Law

Background. The federal minimum wage was instituted in 1938 as part of the Fair Labor Standards Act (FLSA). It is the lowest hourly wage that employers may legally pay to most workers. Since its inception, the federal minimum wage has been increased 23 times, from \$0.25 to its current level of \$7.25 per hour for most workers and \$2.13 per hour for workers that receive tips. It was last increased in 2009.

Under the FLSA, tipped employees must be compensated at least \$2.13 per hour in direct wages, and up to \$5.12 in tips per hour can be applied toward meeting the minimum wage (tip credit). If the employees' direct cash wages and tips do not meet or exceed the minimum wage, the employer must make up the difference. Tipped employees are individuals engaged in occupations in which they customarily and regularly receive more than \$30 a month in tips.

There are some employees who can be paid below the federal minimum wage under the FLSA. In general, such individuals include student, farm, seasonal, and recreational workers. Workers with disabilities may be paid less than the federal minimum wage, but the employer is required to receive a certificate from the Wage and Hour Division within the U.S. Department of Labor. The FLSA allows employers to pay employees under 20 years of age a lower wage for 90 calendar days from when they are first employed.

Colorado Law

Prior to 2007, Colorado's minimum wage law was set by federal law. In 2006, Colorado voters adopted an amendment to the state constitution that raised the minimum wage from \$5.15 per hour to \$6.85 per hour beginning in 2007. The amendment also required that the minimum wage be adjusted each year, up or down, for changes in inflation, as measured by the Colorado consumer price index (CPI). The CPI is a common measure for changes in the prices of goods and services, such as food, housing, gasoline, and medical care. The 2006 amendment also set the minimum wage for tipped workers at \$3.02 less than the state minimum wage, which equaled \$3.83 in 2007. The minimum wage for tipped workers was \$2.13 per hour plus tips before the amendment took effect.

In 2016, Colorado voters again amended the state constitution to increase the state minimum wage from \$8.31 to \$9.30 per hour

